Exhibit A-10

PALESTINIAN GOVERNMENT'S REFORMS- WORK IN PROGRESS- CHALLENGES AND RISKS

Ministry of Finance

January xx, 2015

General Overview: Current Context

- Breakdown in peace talks in April 2014 resulted in political uncertainty and increased economic risk.
- The Gaza warfare led to an overall economic downturn- GDP contraction and a spike in unemployment.
- It also led to escalating financial pressure on the Palestinian Authority (PA) and reallocation of resources towards aid and humanitarian purposes in Gaza.
- Negative deviation in donors' aid compared to notional commitments and forecasts -- 30% less.
- Israeli elections two months away with a likelihood of protracted coalition government negotiations. Hence, continuing ambiguity throughout Q2 and possibly into Q3 of 2015.
- Decision to freeze clearance revenues results in a monthly loss of 70 percent in PA revenues- with devastating impact across the economic and social spectrum.

Gaza: Reconciliation Aspirations Remain Unfulfilled

- Alignment of political agendas and strategic direction is a pre-requisite for progress towards integration of West Bank and Gaza.
- Slow pace in reconstruction efforts due in large part to cumbersome Israeli security restrictions.
- At best, a slow pace in honoring the Cairo conference financial pledges – below 8% disbursed to date.
- Despite obstacles, concerted efforts by the PA to overcome hurdles and speed up delivery of reconstruction aid.

Financial and Budgetary Overview

- Gradually narrowing the chronic budget deficit is an overarching strategic priority.
- A fiscal reform strategy was adopted for implementation in February 2014.
- Key Features of Strategy
  - Intensifying remedial efforts in main areas of weaknesses covering both revenues and expenditures.
  - Capturing lost revenues.
  - Progressively moving away from financing consumption towards job creating intervention.

Domestic Revenues: Diagnostics

- Domestic tax revenues were generated from less than 30 percent of the potential tax base.
- Tax compliance was under-powered due to:
  1. Inadequate collection/enforcement mechanisms;
  2. An entrenched tax evasion culture and an unfavorable socio-political environment;
  3. Opportunity loss from flawed investment promotion law and abuses in tax exemptions
  4. Israeli operational restrictions on the ground, especially in Area C.

Domestic Revenues: Main Remedial Actions

An integrated remedial plan rolled out in February 2014;

Main Features of Plan:

1. Expansion of the tax base horizontally
2. *Upgrade of tax administration performance*
3. *Upgrade of large tax unit performance and consolidation of files under a single administration*
4. *Intensive implementation, policies and procedures through fieldwork, research, and follow through*
5. *Amendment of Investment Promotion Law and closing counter-productive loopholes*
6. Accelerating judicial follow through and imposition of punitive actions as appropriate

Enhanced Revenue Performance

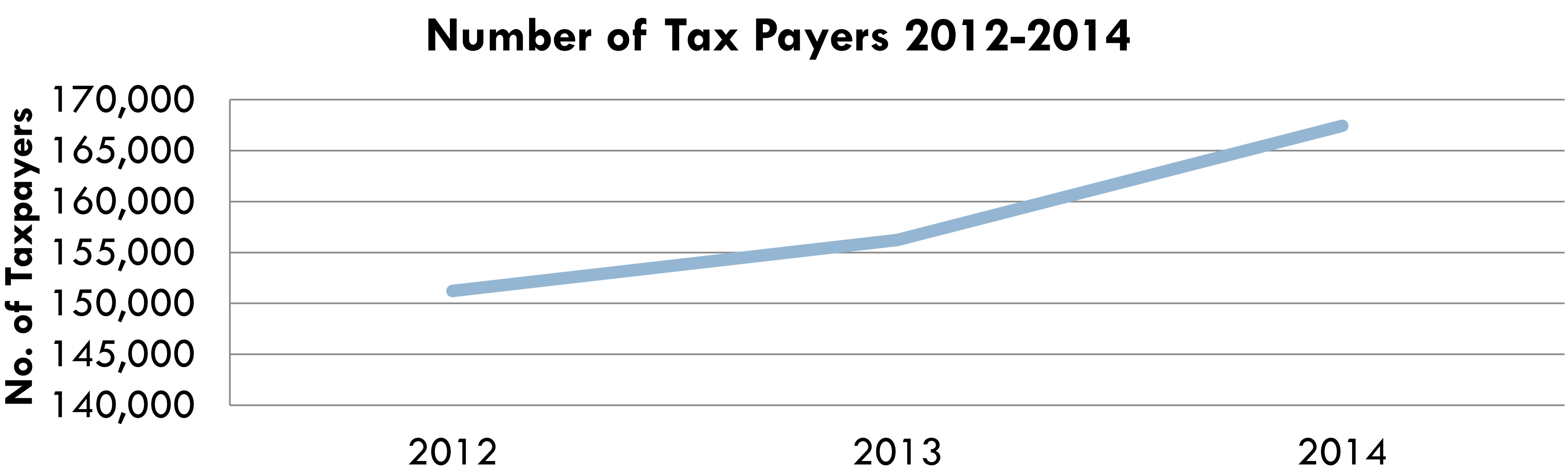
Domestic Revenues: Performance 2014

In general, promising results were achieved during 2014, in spite of unfavorable environment as follows.

Expansion of the tax base

The pace of new tax registrations tripled: 11,200 new tax payers were registered- a historical record and a 93% achievement of annual objective.

Year	2012	2013	2014
No. of Taxpayers	151,212	156,231	167,431[1]
Differential	-	5019	11200
% Change	-	3%	9%

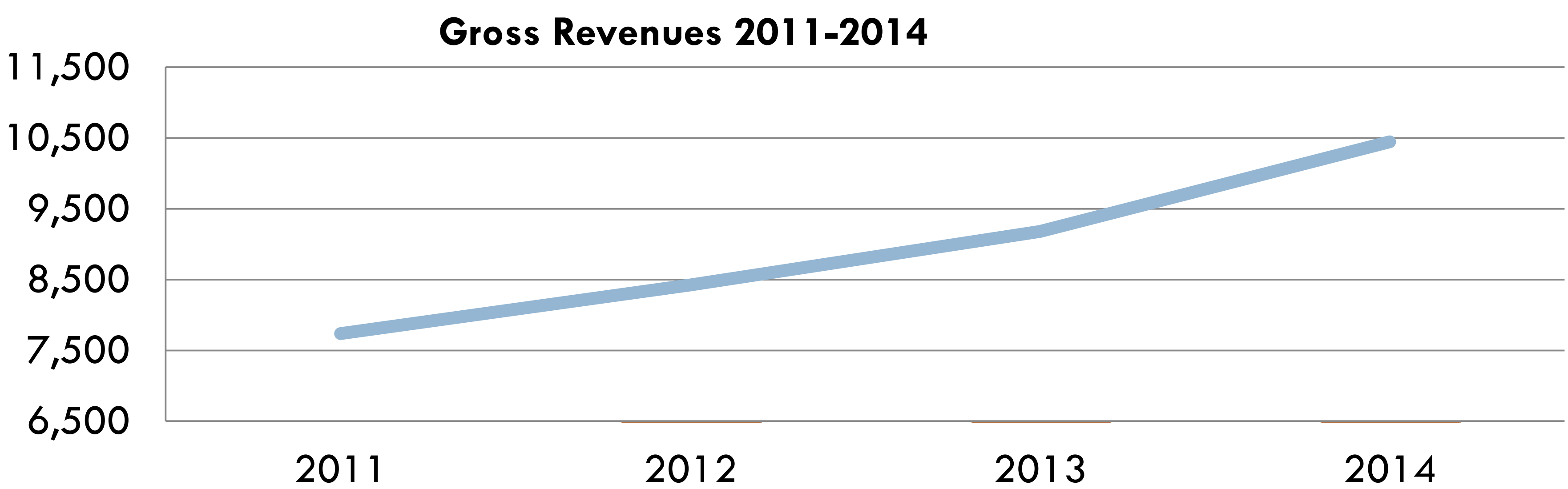


Excluding public service personnel/security

Gross Domestic Revenues: Performance

Gross revenues were increased by 14 percent in 2014.

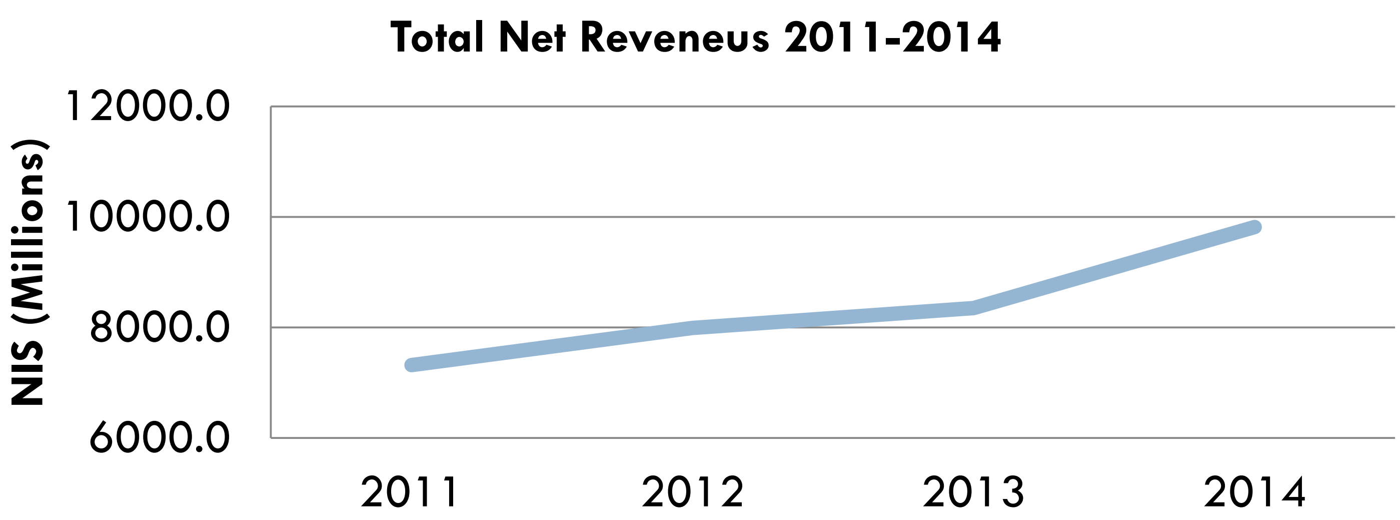
Year	2011	2012	2013	2014
Gross Revenues	**7737.1**	**8423.4**	**9181.3**	**10445.0**
% Change	**-**	**9%**	**9%**	**14%**



Total Net Revenues: Performance

Net revenues were increased by 18% YoY through remedial actions.

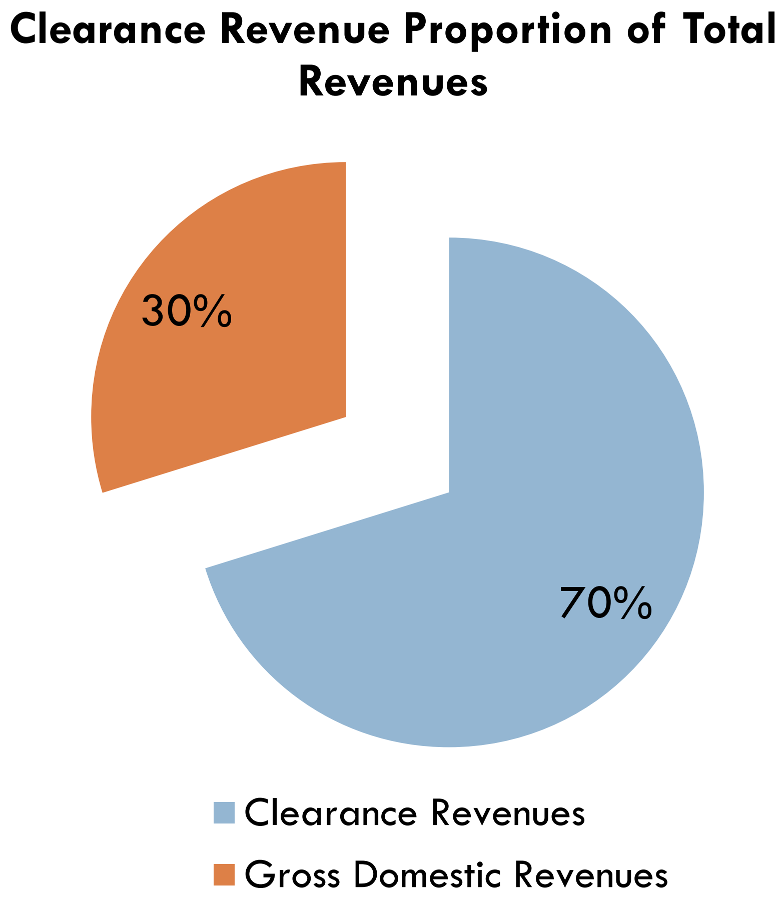
Year	2011	2012	2013	2014
Total Net Revenues (NIS Millions)	7320.7	7989.4	8347.6	9817.4
% Increase	-	9%	4%	18%



Israel-Related Trade Revenues (Clearance): Diagnostic

- The Palestinian economy remains totally captive to that of Israel due to the continuing military control by the latter of frontiers and border crossings.
- Trade with Israel stands at USD 5B annually in imports against USD 700M in exports, leading to a massive structural trade deficit.
- The 1995 Paris Protocol set out a framework which is tantamount to a custom union requiring refund of taxes, excise, and customs on goods and services traded between both parties.

Israel-Related Trade Revenues (Clearance): Diagnostic



Clearance revenues represent over 70% of our total net revenues and around 16.1% of GDP in 2014.

Clearance Revenues: Remedial Actions

Rectifying weaknesses in clearance processes and tax refund receivables is a crucial pre-requisite, through:

- Eliminating substantial shortfalls in clearance receivables (ex. comprehensive VAT report, indirect custom taxes, IT & Telecom taxes, etc.)
- Improving data information- to be based on invoices covering sales to sales rather than purchases.
- Control, audit, and post audit.
- Concerted follow through (negotiations/arbitration).

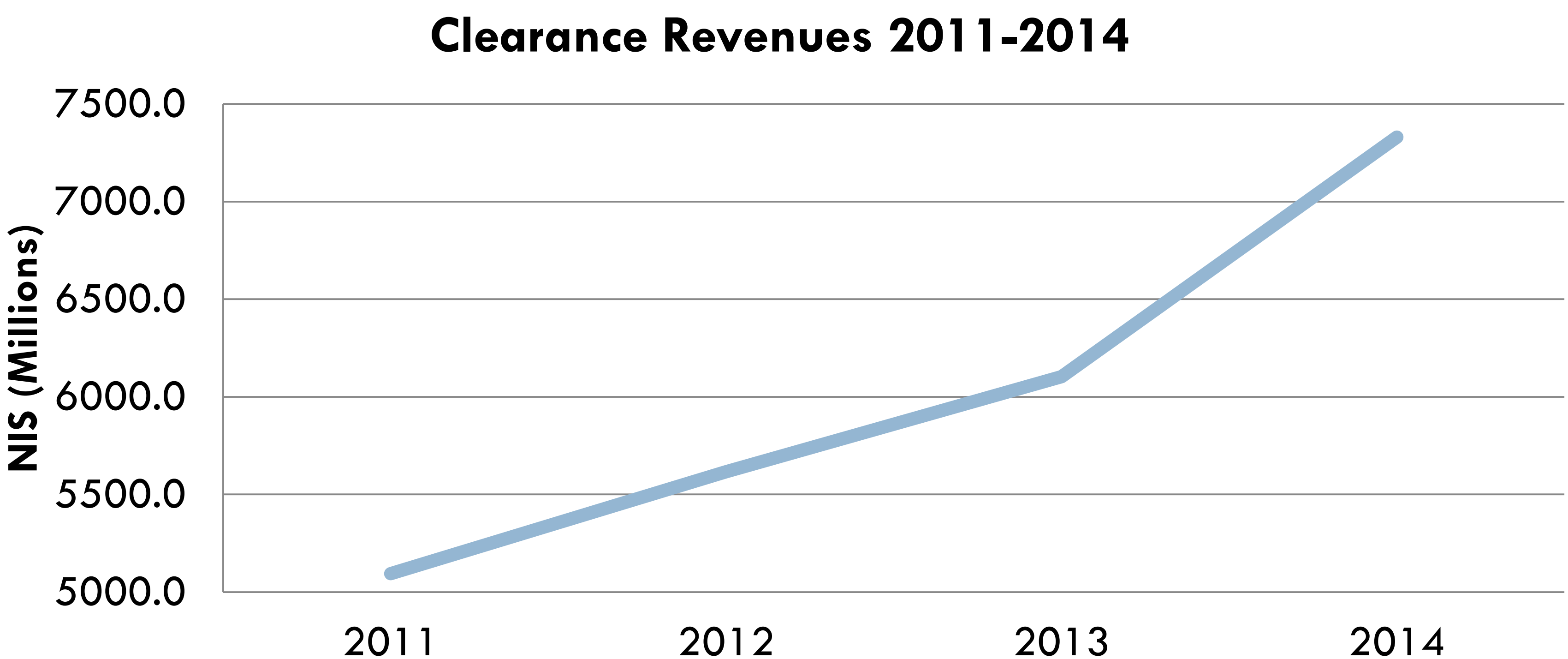
Clearance Revenues: Performance 2014

A significant improvement in clearance revenues was recorded in 2014 as a direct result of an initial improvement in the following areas:

- Automated data and information sharing with the Government of Israel (GoI.)
- Improvements in the clearance netting processes between PMoF and IMoF.
- Intensification of field campaigns for revenue collections.

Clearance Revenues: Performance 2014

Year	2011	2012	2013	2014
Clearance Revenues	5095.2	5617.0	6102.8	7331.0
% Change	-	10%	9%	20%



Serious Unresolved Commercial Issues are Outstanding

Despite registered improvement (2014) in revenues, a number of unresolved issues have yet to be dealt with:

- VAT revenues that are not captured are approximately 210M NIS per annum; (netting should be conducted on sales to sales basis).
- Custom taxes on indirect Imports that are not captured; nearly150M NIS annually (all customs, and not just VAT, relative to imports from Israeli merchants should be remitted).
- Health insurance and taxes of Palestinian workers in Israel that are not transferred;
  - Insurance Premiums and equalization levy: 1.4B NIS accumulated over the past ten years (the PA offers the medical insurance).
  - Income tax: over NIS 250 million not transferred to the PA.
  - Pensions of Palestinian workers in Israel not transferred, around NIS 2 billion.

Continued… Serious Unresolved Commercial Issues are Outstanding

- Property Tax, Land Registration, & License Fees in Area C: Reports and amounts denied to PA.
- Taxes of IT&T earnings generated in Palestinian areas by Israeli operators (ex. Orange, Cellcom, etc.), expected to be in the range of 150M NIS annually.
- Pro-rata sharing in border transit fees expected to be 120M NIS per annum.
- Taxes on Israeli businesses and industries established in Area C not remitted to PA, a rough estimate is in the range of NIS 50M per annum.

Serious Unresolved Commercial Issues are Outstanding

- *In aggregate, the combined effect of capturing lost revenues and rationalizing costs in the commercial relationship with Israel will have a game changing effect.*
- *Once resolved, the financial contribution is estimated to be nearly nearly NIS 900 million per year (approximately USD 230M).*

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MAJOR COST REFORMS

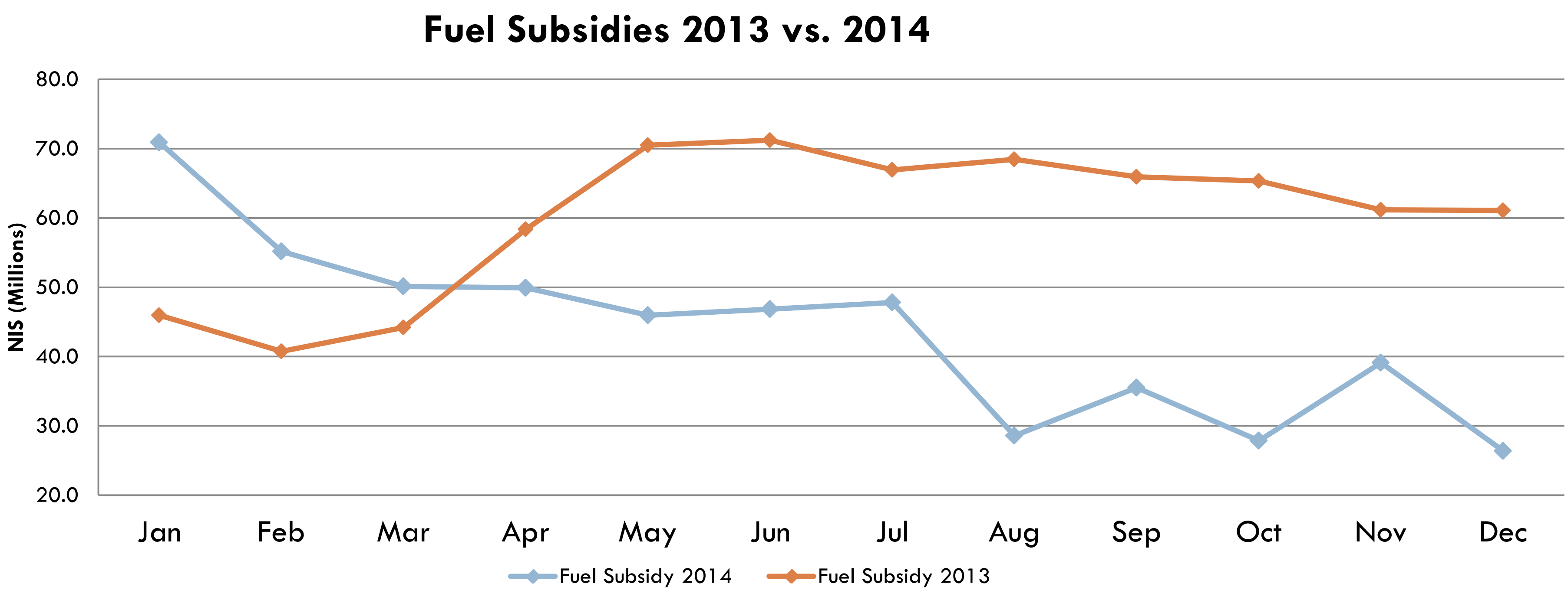
Fuel Subsidy and Operating Business Model Reforms: Diagnostics

- Fuel subsidies until 2014 were a major drain on the PA's financial resources.
- Fuel subsidies were introduced in 2004.
- Cost of subsidies reached a peak of 80M NIS in June 2013.
- Approximate annual impact of the cost of subsidy stood at 1% of GDP & 9% of deficit.
- Fuel subsidies were accompanied by a business model involving:
  - Free working capital for 40 days was made available to 185 petrol stations; i.e. approximately 600M NIS worth of free working capital per month and an effective loss of 12M NIS per month (cost of funding).

Fuel Subsidy and Operating Business Model Reforms: Remedial Actions

- Gradual phasing out of fuel subsidy.
- Gradual termination of free 40 day working capital financing and conversion to cash payment basis.
- Medium-Long Term: Re-organize the entire business model.

Fuel Subsidy and Operating Business Model Reforms: Performance



- Cost of subsidy reduced by 2/3 from its peak, to no more than 25M NIS per month.
- 40 percent of operators in the West Bank, and 100 percent in Gaza, have been converted to cash basis with an objective to reach 100 percent overall in 12 months.

The Wage Bill: Diagnostics

- The public sector wage bill is untenable in proportion to economic realities and national income.
- Wages and wage related benefits represents over 80 percent of approximately 1B NIS in monthly recurrent expenditure.
- Domestic Revenues barely cover 25 percent of monthly wages.
- Clearance revenues cover approximately 50 percent of monthly wages.
- The ratio of coverage of combined revenues is under 80 percent of the wage bill.

The Wage Bill: Diagnostics

Year	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Employee Count	130101	178546	163573	144380	142937	147726	150400	153053	154218	154356	155682
% Change	-	37%	-8%	-12%	-1%	3%	2%	2%	1%	0%	1%
Wage Bill (NIS Millions)	3898	4494	5303	5264	5145	5361	6017	6381	6812	6928	7336
% Change	-	15%	18%	-1%	-2%	4%	12%	6%	7%	2%	6%

- Main wage bill increases occurred in 2005, 2006 and 2010 by 15%, 18% and 12% respectively.
- Main headcount increase occurred in 2005 by 37%.

The Wage Bill: Diagnostics

Legacy Factors

- Cost of Living Allowance (COLA) became mandatory and was implemented in 2009, as per Ministry of Finance decree.
- The cumulative average growth rate in the wage bill as a result of COLA from 2009 to 2014 stood at 24% (approximately 4% annually).
- A mandatory 1.25 percent annual increase payroll annual increase was put in place in 1994, 0.25 percent over the Israeli standard.
- Series of ill-advised union agreement arrangements entered into during the period 2010-2013, in particular in the health sector, education and public engineers, with additional allowances reaching in some cases 150% of base salary.

The Wage Bill: Remedial Actions

- Presidential decree: Zero net-hiring since mid-year 2012 carried forward through 2015.
- Firm stand with the unions adopted in 2014.
- A halt to public sector union actions and benefit demands in October 2014.
- A commitment at capping wage bill increases to below 4 percent for 2015 (COLA and automatic increases included).
- The radical reform to the wage bill consists in:
  - Speeding up the public service law;
  - Rationalizing compensational benefits (Scales for both public service and security personnel)

Net Lending: Diagnostics

- Net lending is an IMF euphemism, which literally implies:
  - GoI deducts from us amounts that we are neither able to control nor verify, relative to electricity sales, water and waste management services; whilst we are unable to recoup any of these costs.
- Numerous factors contribute to the entrenched weaknesses resulting in net lending. However, the most important factor is the asymmetrical negotiating positions between Israeli and Palestinian counter-parts.

Net Lending: Diagnostics

Net lending of Electricity consists of:

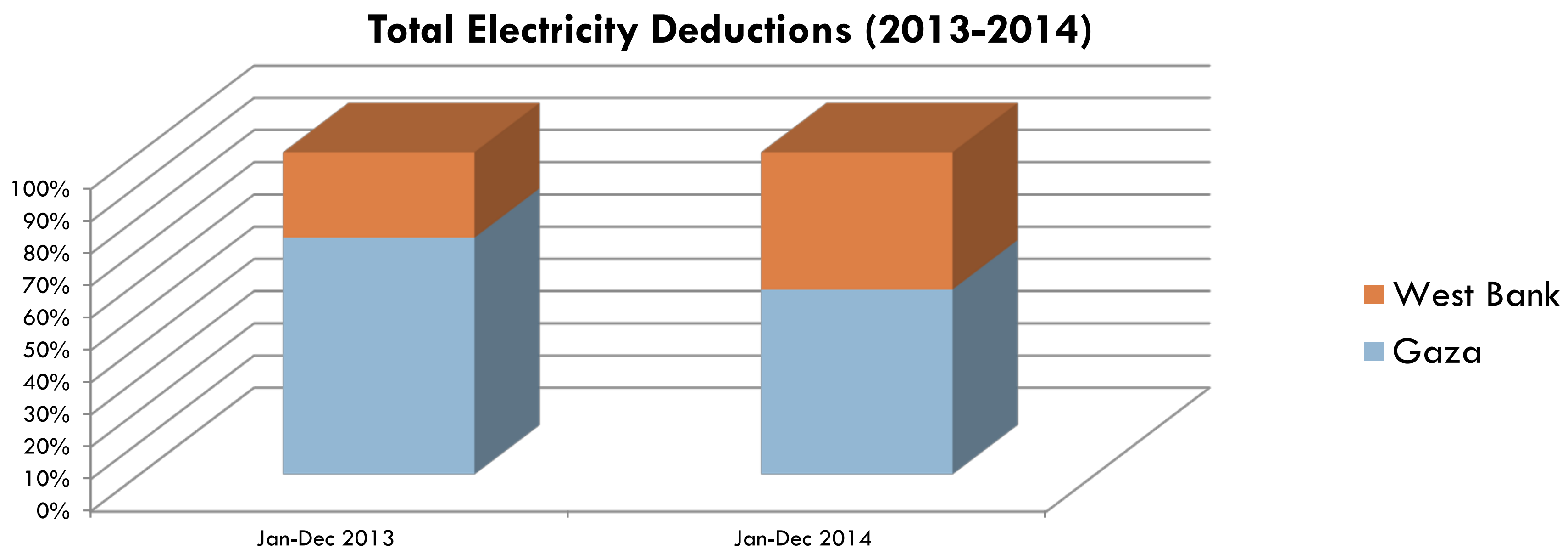
- 45M NIS per month to Gaza;
  - Cannot be verified- no meter reading access
  - We buy in bulk but pay in retail prices that are opaque and contain undisclosed additional costs
  - We receive no collection revenues to offset these deductions

- Internal weaknesses- lack of discipline on the part of local municipalities and legal councils in the West Bank (approximately NIS 15 million per month);
  - Until recently, no verification processes, and duplicate billing
  - Like in Gaza, we buy in bulk and pay in retail price
  - We are working on addressing the issues
  - We have introduced legislation for ensuring payments to IEC

- Jerusalem Electricity Company (JEDCO) is a private sector registered company in East Jerusalem;
  - Reports of unpaid debt by PA to the Israeli Electricity Company (IEC) in the amount of NIS 1.8B, are fundamentally misleading. Around NIS 1.2B of debt is actually owed by JEDCO and not the PA.
  - In December 2012, Israel unlawfully deducted NIS 500 million owed by JEDCO to the IEC, from PA funds.

Net Lending: Electricity Deductions

Electricity Deductions	Jan-Dec 2013	Jan-Dec 2014	Cumulative 2013 & 2014
Gaza	497,597,422	500,455,548	998,052,970
West Bank	180,000,000	372,000,000	552,000,000
Cumulative Total	677,597,422	872,455,548	1,550,052,970



Net Lending: Key Remedial Actions

Government actions to reduce Net Lending:

1. Cabinet decision to enforce payments by municipalities on November 11th, 2014.
2. Established the Palestinian Electricity Regulatory Council.
3. Built an interactive database of electricity bills.
4. PETL established modern transmission infrastructure
5. Rolled out pre-paid meters to reduce non-payment and theft in the West Bank.
6. Intensified controls and audits on municipalities.
7. Remaining outstanding issues: sales of power to Gaza and relationship with JEDCO

Health Referral System: Diagnostics

- The cost of referrals to Israeli medical facilities is, next to net lending, a major drain on financial resources of the PA.
- Entrenched practices and perceptions of superior medical standards in Israeli hospitals led to an increase in health referral spending.
- Until recently, only 30% of total invoices consisted of authorized referrals; the remaining are result of abuses including: self-referrals, brokers, exaggerated hospital stays, etc.
- Order of magnitude of Israeli hospital deductions reached a peak of 347 Million NIS in 2014.

Health Referral System: Remedial Actions

- Intensify control and audit.
- Promote investment in the Palestinian health sector to improve the quality of health care services.
- Reduce the cost and number of referrals to Israeli hospitals without compromising quality of health care.
- *Significant progress achieved to date, but Gaza referrals remain an outstanding issue.*

Private Sector Arrears: Diagnostics

- Private sector arrears are a corrosive factor for the Palestinian economy.
- They represent, in essence, a flawed approach to deficit financing.
- In December 2013, private sector arrears amounted to around USD 555 million.
- By December 2014, private sector arrears were reduced to around USD 473 million.
- Eliminating private sector arrears is a strategic imperative for the PA; in 2014, three rounds of payments totaling NIS 300 million were paid to reduce accumulated arrears.

Private Sector Arrears: Remedial Actions

- Plan for payment of $250 million for private sector arrears in 2015 budget and eliminating altogether accumulation in 2016.
- Reform and modification in the accounting procedure to improve reporting of arrears.
- Cash plan adopted since September 2014 to allow for better procurement practices by line ministries in order to cap further growth of stock of arrears.

The GAZA Context

Gaza: Context

- A separationist government took hold in Gaza since June 2007.
- Separate public institutions and functions were in its wake established in Gaza.
- Notwithstanding the separation, the PA stayed the course and continued shouldering major expenses in the Gaza Strip; these include:

Continued… PA Expenses to Gaza

- Salaries & related items to non-Hamas personnel (around 63,000 employees) of NIS 245 million per month.
- Operating expenses for Ministry of Health expenses (around NIS 20 million per month for health referrals and medicinal needs).
- Development expenditures: around NIS 20 million per month
- Social Safety Transfers: around NIS 38 million per month
- Infrastructure Projects: Water & Electricity- around NIS 15 million
- Fuel Subsidies
- Electricity and Water; NIS 55 million and NIS 7 million per month, respectively.
- **Total balance of payment transfers to Gaza exceed USD 1 billion per annum; thus 8 USD billion over 8 years.**

West Bank & Gaza: Balance Sheet

West Bank & Gaza: Revenues and Expenditures (NIS millions)				
Item	**West Bank**	**Gaza**	**Combined (Yearly)**	**Combined (Monthly)**
Gross Domestic Revenue	3114	0	3114	260
Clearance Revenue	7234	230	7464	622
Tax Refunds (-)	-	-	-481	-49
Total Net Revenue	**10348**	**230**	**10097**	**841**
Expenditures (before debt service)	**6811.8**	**5292**	**12103.8**	**1008.6**
Wages Expenses	3826	2940	6766	563
Non-wage Expenses	2985.6	2350	5335.6	445
Primary Balance	**3536.2**	**-4978**	**-2006**	**167**
Development Expenditures	300	286	586	48.8
Total Expenditures (before debt service)	**7111.8**	**5578**	**12689.8**	**1057**
Surplus/Deficit	**3263.2**	**-5264**	**-2592**	**-216**

- The West Bank on a stand alone basis records a **surplus of NIS 3.26 billion.**
- The Gaza Strip on a stand alone basis records a **deficit of NIS 5.26 billion.**
- The **combined deficit** of the West Bank and Gaza is around **NIS 2.59 billion.**

Financial Implication of Withholding of Clearance Revenues by Israel

Withholding of clearance revenues by GoI, in essence means, a loss of 70% of PA revenues.

The following portrays a financial snapshot of revenues on the basis of continued withholding of clearance revenues by GoI.

West Bank & Gaza: Revenues and Expenditures (NIS millions)				
Item	**West Bank**	**Gaza**	**Combined (Yearly)**	**Combined (Monthly)**
Gross Domestic Revenue	3114	0	3114	260
Clearance Revenue	0	0	0	0
Tax Refunds (-)	-	-	-481	-40
Total Revenue	**3114**	**0**	**2633**	**219.4**
Expenditures (w/o interest)	**6811.8**	**5292**	**12103**	**1008.65**
Wage Expenses	3826	2940	6766	563
Operational Expenses	2985.6	2350	5335.6	445
Primary Balance	**-3698**	-5292	-9470	789
Development Expenditures	300	286	586	48.8
Total Expenditures (w/o interest)	**7111.8**	**5578**	**12689.8**	**1058**
Balance	**-3998**	**-5578**	**-10057**	**-838**

- The West Bank on a stand alone basis will record a **deficit of NIS 3.99 billion.**
- The **combined deficit** of the West Bank and Gaza will be around **NIS 10.05 billion.**

Continued… **Financial Implications of Withholding of Clearance Revenues by Israel**

- The budget deficit to GDP would automatically grow from 13% to over 23%.
- It results in the PA's inability to redeem debt, effect social welfare transfers and reduce arrears to the private sector.
- It further impairs the ability of the government to operate normally.
- The PA will have to consider shutting down specific government operations as appropriate.

Section 10

Conclusion

Concluding Remarks

- The freezing of clearance funds constitutes an existential threat to the PA and could lead to consequences that are difficult to calculate.
- The repercussions will spillover to Gaza and amplify an already disastrous situation.
- The PA/MoF has the obligation to do its utmost to maintain normality for as long as possible- but, the available margin for us to be able to hold matters together is extremely narrow.
- The MoF will intensify on its fiscal reforms, which are now needed more than ever.
- The PA will temporarily suspend its proposal budget and will operate on an emergency cash rationing method, based on 2014 budget ceilings.
- The MoF has already commenced measures that are designed to stimulate the economy and help in offsetting a precarious economic environment.